

KLANG VALLEY HOSPITALITY MARKET 2H 2012

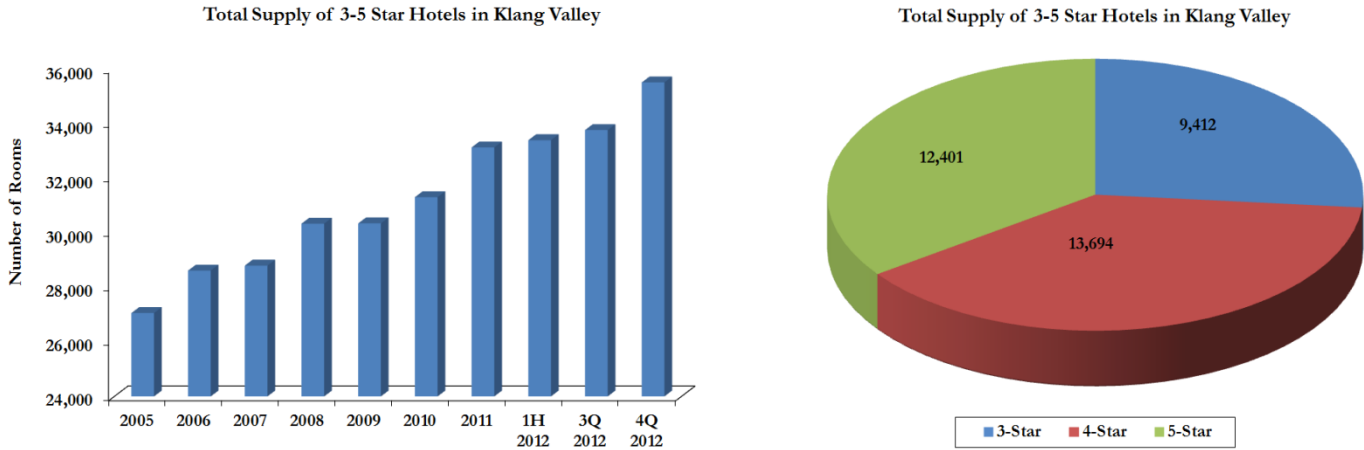
The Klang Valley hospitality market remained upbeat during 2H2012 as the tourism industry continues to be bullish with increasing tourist arrivals whereby the arrivals rose to 25,032,708 in 2012, recording an overall growth of 1.3% as compared to 24,714,324 arrivals in 2011. The total tourism receipts for 2012 also recorded growth of about 4%, thus generating RM60.6 billion to the country's revenue as compared to RM58.3 billion the previous year. Tourist arrivals from countries such as Philippines, China, Indonesia, Japan and Brunei recorded growth while tourist arrivals from Australia and New Zealand declined during 2012 due to cancelation of direct flights into the countries.

Acknowledging the tourism industry as one of the key economic growth sectors which contributes almost 12% to country's GDP, the Government during Budget 2013 announced 2013/2014 as Visit Malaysia Year to promote Malaysian tourism industry by allocating RM358 million under development expenditure to target 26.8 million tourist arrivals. The Government also proposed a three years extension of income tax exemption for tour operators who handles up to 750 foreign tourists or 1,500 domestic tourists a year.

The new low-cost airport (KLIA2) which has the capacity to handle a maximum of 45 million passengers a year is scheduled to open in Mid-2013. KLIA2 coupled with the existing KLIA airport will be able to cater to the growing number of tourist arrivals, consistent with the target to achieve 36 million tourist arrivals and RM168 billion in receipts by year 2020.

The latest figures released by the United Nations World Tourism Organization (UNWTO) revealed that global international tourist arrivals has exceeded the one billion mark for the first time in 2012 despite the global economic uncertainty with the Asia-Pacific region recorded the largest increase of tourist arrivals at 7% to 233 million whereby sub-region Southeast Asia and North Africa topped the list with 9% growth in arrivals. The evident growth in international tourist arrivals is fuelled by the recovery of the inbound and outbound of Japanese tourism which was affected by earthquake and tsunami. Malaysia was ranked as one of the world's top 10 tourist destinations in the UNWTO Tourism Highlights 2012, being the only South-East Asian country to ever make it to the list. The report also ranked Malaysia 14th in terms of international tourism receipts with US\$18.3bil (RM56.3bil) last year. Malaysia also recorded a 15% growth in outbound travel during 2012 according to UNWTO report.

SUPPLY & DEMAND



Source: Zerin Properties Research

The second half of 2012 witnessed the opening of six hotels in all three to four star category which corresponds to the Government’s target to increase 3,000 four and five star hotel rooms in Malaysia by end of 2012 in order to be parallel with the long-term target of creating an additional 37,000 four and five star hotel rooms by 2020.

As of December 2012, the total hotel rooms in Klang Valley stand at 41,491 following the opening of the much waited 370-rooms Grand Hyatt Kuala Lumpur, 300-rooms Royale Bintang Damansara, debut of two Ibis Styles hotels namely 156-rooms Ibis Styles Cheras and 500-rooms Ibis Styles Fraser Business Park, 302-rooms Vivatel Hotel and the re-opening of the iconic 300-rooms Majestic Hotel.

From the current total of 41,491 rooms, about 30,144 rooms or 72.65% are located within Kuala Lumpur (KL) and the remaining 27.35% (11,347 rooms) are located outside the city limits (OKLC).

The current supply of 3-star, 4-star and 5-star hotel rooms in Klang Valley stands at 9,412, 13,694 and 12,401 respectively. As for the budget hotel, presently there are about 5,984 rooms within Kuala Lumpur City.

During the second half of 2012, Impiana Group revealed that the group is seeking to expand its current portfolio. Menara Mara which is located on Jalan Tuanku Abdul Rahman is being converted into a four-star hotel and will be known as Premiera Hotel, a four-star brand created recently by the Impiana Group. The hotel is scheduled to open in 1Q 2013 with 90 rooms and will be managed by Impiana Group for a period of 10 years with an option to renew.

On the other hand, the long delayed construction of Four Seasons Place Kuala Lumpur has finally kick-started and is anticipated to be completed in mid-2016. The Four Seasons Place Kuala Lumpur is a mixed development which will feature hotel rooms, luxury residences and retail component. The development will house a 231 rooms hotel and 250 units of residences and serviced apartments which will be available for sale.

Ireka Corp Berhad, an established luxury lifestyle developer, recently unveiled its mixed development project situated along Jalan Kia Peng near KLCC. The project to be known as The RuMa Hotel & Residences (formerly referred to as “Kia Peng@KLCC”) will encompass a 40-storey tower which will house a 263-rooms boutique hotel and 200 unit serviced residences with indicative price of RM2,000 psf onwards. This hotel will be managed by Urban Resort Concepts, the managers of the famed “The PuLi” hotel in Shanghai.

In a more recent announcement, the Malaysia Airports Holdings Bhd Group (MAHB) announced the intention to manage its existing and future hotels under its newly created brand called “Sama-Sama” and thus discontinuing the service of the established brand of Pan Pacific. MAHB will manage the Sama-Sama KL International Airport hotel (formerly Pan Pacific KLIA) as well as the existing transit located at the satellite building of KLIA. In addition, MAHB will also operate its soon-to-be-open transit hotel at the KLIA2 terminal which is to be known as Sama-Sama Express KLIA2.

Meanwhile, the 35-storey 5-star Crowne Plaza Mutiara Kuala Lumpur hotel with 500 over rooms is scheduled to cease its operation on January 2, 2013 and will be demolished to make way for the proposed new mixed development project on the site which will be known as the “Tradewinds Centre”

There are number of hotels that were pipelined for opening next year which include the notable 482-rooms Aloft Hotel at KL Sentral, 203-rooms Holiday Villa Kuala Lumpur, the delayed 513-rooms Pullman Kuala Lumpur Bangsar and 168-rooms boutique-style hotel, Wolo, at Bukit Bintang.

A number of new hotel projects are in different stage of development. The following table shows the anticipated future supply of hotels in Klang Valley.

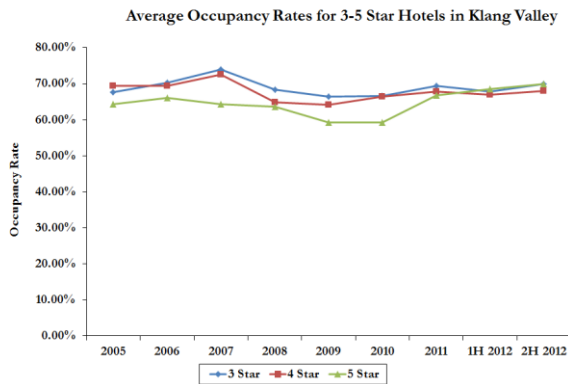
Future Supply of Hotels in Klang Valley

NAME	LOCATION	RATING	EXPECTED COMPLETION DATE	NO. of ROOMS
KUALA LUMPUR CITY				
Premiera Hotel	Menara Mara, Jalan Tuanku Abdul Rahman, KL	4	Jan-13	90
Aloft Hotel	KL Sentral	4	Mar-13	482
Holiday Villa Kuala Lumpur City Centre	Jalan Mayang, off Jalan Yap Kwan Seng, KL	4	2013	203
Pullman Kuala Lumpur Bangsar	Pantai Baharu, Bangsar	5	Early 2013	513
Wolo	Jalan Bukit Bintang, KL	Boutique	2013	168
TOTAL SUPPLY (2013)				1,456 Rooms
Allison Capital Hotel	Jalan Medan Tuanku, Kuala Lumpur	4	2014	198
St Regis Hotel	Jln Travers, KL	6	End of 2014	208
Best Western Bangsar	Bangsar, KL	3	Q1 2015	216
Arcoris Mon't Kiara	Jln Kiara, Mon't Kiara, KL	Boutique Hotel	2015	275
Banyan Tree Signatures Pavilion Kuala Lumpur	Jln Conlay, KL	N/A	2015	50
Holiday Inn Express	Jln Bukit Bintang, KL	NA	2015	200
The Regent	Jalan Ampang, Kuala Lumpur	5	Q2 2015	238
W Hotel	Jln Ampang, KL	6	2016	150
Platinum Park	Jln Binjai, KLCC	5	2016/2017	350
Four Seasons Hotel	Jalan Ampang, KL	5	Mid 2016	231
Harrods Hotel	Jalan Conlay, Kuala Lumpur	7	2018	250 - 300
TOTAL SUPPLY (POST 2013)				2,366+ Rooms
TOTAL SUPPLY (KUALA LUMPUR CITY)				3,822+ Rooms
OUTSIDE KUALA LUMPUR CITY				
The Olives Hotel	Subang Jaya	4	2013	N/A
Sama-Sama Express KLIA 2	Sepang, Selangor	N/A	Mid 2013	N/A
All Seasons Hotel	C180, Jln Cheras Perdana, Cheras, KL	Business Hotel	2013	156
Hotel Eleven- MCT Hotel at Sky Park@One City	USJ 25, UEP Subang Jaya	4	2013	243
Novotel Klang Valley 1Gateway	Persiaran Raja Muda Musa, Klang	4	2013	187
Hilton Garden Inn@Millennia City	Puchong, Selangor	N /A	2013	255
Tune Hotel@KLIA 2	Sepang, Selangor	Budget Hotel	2013	400
Tune Hotel@D'Pulze	Persiaran Multimedia, Cyberjaya, Selangor	Budget Hotel	End of 2013	162
Best Western Shah Alam	Shah Alam, Selangor	3	Q1 2014	Under planning development
Best Western Plus Centrestage	Section 13, Petaling Jaya, Selangor	4	Q2 2014	350
Damansara City 2	Damansara Heights, Selangor	5	2014	300
Movenpick Hotel & Convention Centre KLIA	Near to KL International Airport and F1 Sepang International Circuit (next to Sepang Holy Mosque)	N/A	Early 2014	333
Best Western Plus 1Gateway	Persiaran Raja Muda Musa, Klang	4	Q2 2015	137
Lot 12, PJ Sentral Garden City	Section 52, Petaling Jaya	Business Hotel	2016	N/A
Premiere Hotel	Kelana Jaya, Petaling Jaya (within the Paradigm Mall development)	4	N/A	N/A

Source: Zerin Properties Research / Malaysian Association of Hotels (MAH)

Klang Valley Overall – 3 to 5 Star Hotels

Occupancy Rate

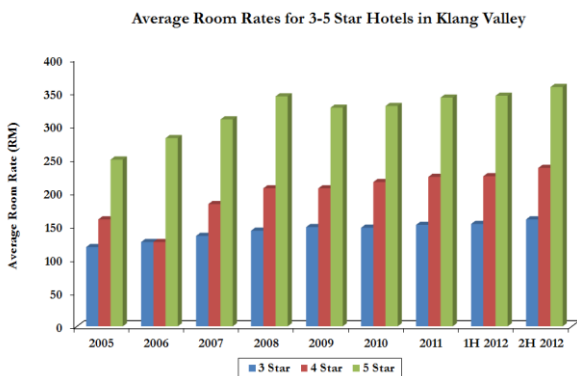


Source: Zerin Properties Research

Occupancy for 5-star hotels in Klang Valley during 2H 2012 was at 70%, increased from 68.48% that was recorded during 1H 2012 but declined slightly from 72.94% that was recorded during the corresponding period last year.

The occupancy rate of 4-star and 3-star hotels were at 66.70% and 70% respectively during the 2H 2012 which dropped slightly from the 66.98% for the 4-star but increased from 67.84% that was recorded for 3-star segments during first half of 2012. However, the occupancy for both 4-star and 3-star marginally dropped from 71.8% that was recorded for both segments during the 2H 2011.

Average Room Rate



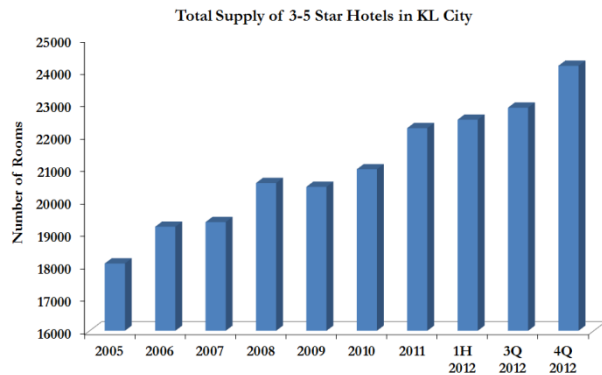
Source: Zerin Properties Research

The average room rate (ARR) for 5-star hotels in Klang Valley was at RM346 in 2H 2012 which is slightly higher than RM344 that was recorded in first half of 2012 and 2H 2011.

Meanwhile, the ARR during 2H 2012 for 4-star was at RM237 increased from RM224 in 1H 2012 and RM226 in 2H 2011. The ARR for 3-star hotels was at RM160, increased from RM153 that was recorded during the 1H 2012 and RM150 2H 2011.

Kuala Lumpur - 3 to 5 Star Hotels

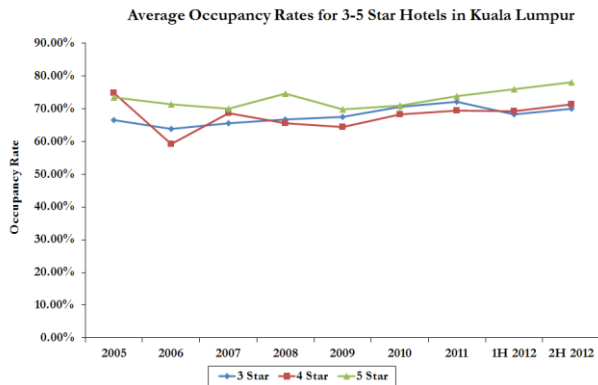
Supply



Source: Zerin Properties Research

As of December 2012, the total supply of 3 to 5 star hotel rooms in Kuala Lumpur stood at 24,160, of which about 7,938 rooms or 32.86% falls under 5-star category while 10,491 rooms belongs to the 4-star category. The remaining 23.72% or 5,731 rooms are the 3-star rooms.

Occupancy Rate

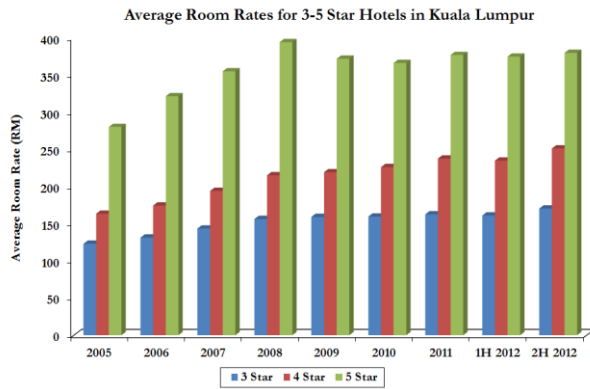


Source: Zerin Properties Research

The occupancy for 5-star hotels during 2H 2012 was at 78%, increased slightly from 76% that was recorded during 1H 2012 and the corresponding period last year. The 4-star hotels meanwhile recorded an occupancy of 71.21% in 2H 2012 which was higher than 69% in 1H 2012 but slightly lower than 74% during the same period last year.

The 3-star segment recorded 70% in the occupancy rate during the review period, increased slightly from 68.21% during 1H 2012. However, it decreased from 72.93% that was recorded during the similar period in 2011.

Average Room Rate



Source: Zerin Properties Research

Average room rates (ARR) for 3-star, 4-star and 5-star hotels in Kuala Lumpur during 2H 2012 were at RM170, RM251 and RM382 respectively indicating improvement from RM161, RM235 and RM376 respectively that was recorded during 1H 2012.

During 2H 2011, average room rates for 3-star, 4-star and 5-star hotels were at RM164, RM241 and RM382 respectively. This indicates the rates increased slightly year-on-year for the 4-star segment by 4.15% and by 3.67% for 3-star segment but maintained the same rate for 5-star segment.

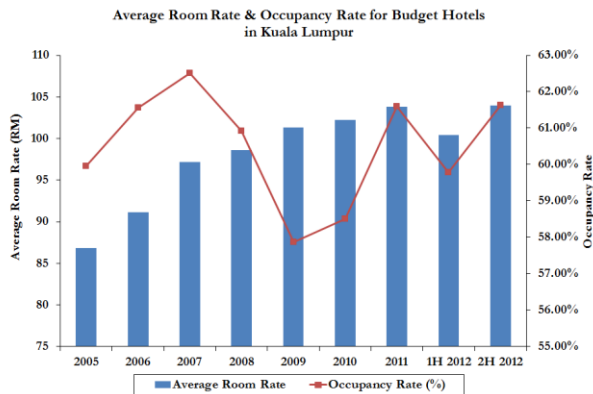
Overall, the performance of the 3-5 star hotels in Kuala Lumpur during 2H 2012 improved compared to first half of 2012. However, the performance in terms of occupancy rate declined slightly for 3-star and 4-star segments when compared with the corresponding period last year. This is largely due to the entry of large supply of hotel rooms during the review period whereby it is common for the industry to take some time before the new supply is fully absorbed.

Budget Hotel – Kuala Lumpur

As of 2H 2012, the total supply of budget hotel rooms in Kuala Lumpur stood at 5,984. There was no completion of new hotels under this category during this particular period.

Occupancy Rate & Average Room Rate

Occupancy for budget hotels in Kuala Lumpur during 2H 2012 improved from 59% that was recorded in 1H 2012 but declined slightly from 65% in 2H 2011 to 62%. Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the second half of both 2012 and 2011 as well as in first half of 2012.



Source: ZerIn Properties Research

Serviced Apartment – Kuala Lumpur

At present, there are 29 service apartment properties with a total of 5,268 units in Kuala Lumpur with the completion of two new service apartments during the review period namely the 42-suites Grand Hyatt Kuala Lumpur and 200-units E&O Residences Kuala Lumpur which is a part of the St Mary Place development as well as the completion of the expansion work by Fraser Place Kuala Lumpur to include an additional 106 apartment units by converting the vacant office levels from level 4 to 16 of the adjacent block.

There are a number of new serviced apartments that are scheduled to come on stream in Klang Valley which include the 150-units Lanson Place Bukit Ceylon (2013) and the three new serviced apartments of the Ascott Group namely 143-units Ascott Serviced Residences at KL Sentral (2013), 232-units Citadines D’Pulze Cyberjaya (2014) and 200-units Somerset Damansara Uptown Petaling Jaya (2016).

Occupancy Rate & Average Room Rate

Occupancy for service apartments in Kuala Lumpur during 2H 2012 was 73%, increased from 70% in first half of 2012 and 72% that was recorded during second half of last year.

Meanwhile, the average room rate (ARR) for service apartments was recorded at RM287 during 2H 2012 increased from RM280 in 1H 2012 and RM282 that was recorded during the similar period last year.

As at December 2012, a renowned serviced apartment brand in KL City recorded an ARR of RM497 while the ARR for a serviced apartment in Mid Valley stood at RM469.



Source: Zerin Properties Research

Outlook

In general, the Klang Valley Hospitality market continued to be resilient during the second half of 2012 albeit the notable influx of new hotel rooms. The performance of the 3-5 star hotels remained stable without much fluctuation in occupancy rate and average room rate as compared to the first half of 2012.

This is due to the continuous growth in Malaysian tourism industry that is driven by the recent announcement by the government which declared 2013/2014 to be Visit Malaysia Year during Budget 2013 with increased allocation of RM358 Million for tourism industry compared to RM250 Million that was allocated previous year. The introduction of 100% tax exemption for eligible tour operators during Budget 2013 is also expected to augur well with the local tourism agencies to attract more tourists to the country by offering more attractive and innovative tourism packages.